



AGENDA REPORT

Finance Department

DATE:	February 4, 2025
TO:	Mayor Martinez and Members of the City Council
FROM:	Nickie Mastay, Deputy City Manager, Internal Services Andrea Miller, Director of Finance Mubeen Qader, Deputy Director of Finance Jerry Chak, Accounting Manager
Subject:	Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024
FINANCIAL IMPACT:	There is no fiscal impact to receiving this report.
PREVIOUS COUNCIL ACTION:	N/A
STATEMENT OF THE ISSUE:	The City retains an independent auditor to annually review and express an opinion regarding the accurate representation of the City's financial statements.
RECOMMENDED ACTION:	RECEIVE a report on the City's Annual Comprehensive Financial Report (ACFR) for Fiscal Year ended June 30, 2024 – Finance Department (Andrea Miller/Mubeen Qader/Jerry Chak 510-620-6740).

DISCUSSION:

At the close of each fiscal year, the City engages an external auditor to audit its financial statements. The Annual Comprehensive Financial Report (ACFR), which contains the City of Richmond's basic financial statements, auditor's report, and important supplemental information, is intended to give the reader a comprehensive view of the City's financial position and activities for the fiscal year ended June 30, 2024. The ACFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

California Government Code Section 53891 requires every local government agency to submit a report of all financial transactions to the State Controller's Office based on data from the audited financial statements prepared in accordance with GAAP, and that the report is audited by an independent firm of certified public accountants. Since the ACFR is audited by independent experts, the report provides additional assurance to the community that the City is being responsible stewards of tax dollars.

Consistent with sound fiscal management practices and prudent public policy, City staff is presenting the ACFR to City Council. The ACFR can be found on the City's website at: [City-of-Richmond-ACFR-FY2024](#).

Badawi & Associates has audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information of the City for the fiscal year ended June 30, 2024, and the related notes to the financial statements. The auditors have rendered an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2024, with a disclaimer of opinion for business-type activities as it relates to the Richmond Housing Authority (RHA) enterprise fund and the aggregate discretely presented component units, since the financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2024.

The ACFR is organized into five (5) sections:

1. Introduction including the Transmittal Letter and Independent Auditor's Report
2. Management's Discussion and Analysis (MD&A)
3. Basic Financial Statements and Notes
4. Supplemental Information
5. Statistical Information

The MD&A section (pages 7-19) of the ACFR presents an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2024. Staff encourage readers to consider the information presented in this section in conjunction with additional information provided in the Transmittal Letter (pages v-xviii), the City's Basic Financial Statements (pages 21-49), and notes to the financial statements (pages 51-169).

The Independent Auditor's Report is included in the ACFR attached (Attachment 1 – Annual Comprehensive Financial Report, pages 1-5), below are the excerpts from the ACFR:

Unmodified Opinions

The auditors issued unmodified opinions on Governmental Activities, Major Governmental Funds, Port of Richmond, Municipal Sewer Fund and Aggregate Remaining Fund Information. This is the highest possible rating. "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Community Development and Loan Programs Special Revenue Fund, the Port of Richmond Enterprise Fund, the Municipal Sewer Enterprise Fund, and the aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

Basis for Unmodified Opinions

The audit was conducted in accordance with auditing standards generally accepted auditing standards in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report.

Disclaimer of Opinion

The auditors have issued a disclaimer of opinion on Business-Type Activities, Aggregated Discretely Presented Component Units and Richmond Housing Authority. This is due to their inability to audit the information for the fiscal year ending June 30, 2024, pending completion of their audit of fiscal years ending June 30, 2020, 2021, 2022, and 2023. More specifically, the auditors stated, "Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities, Richmond Housing Authority Enterprise Fund, and the aggregate discretely presented component units of the City. Accordingly, we do not express an opinion on these financial statements."

Basis for Disclaimer of Opinion

The financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation, and RHA RAD, LLC have not been audited for the year ending June 30, 2024. The Richmond Housing Authority's financial activities are included in the City's basic financial statements as a major enterprise fund and represent 7.43 percent, 16.65 percent, and 6.54 percent of the assets, net position, and revenues, respectively, of the City's business-type activities. The financial activities of the RHA Properties, RHA Housing Corporation, and RHA RAD, LLC are included in the City's financial activities

as discretely presented component units and represent the City's only discretely presented component units.

Badawi & Associates is currently auditing RHA financials for the fiscal year ending June 30, 2020, and anticipates completing an additional fiscal year ending June 30, 2021, by the end of calendar year 2025.

Financial Highlights

General Fund

The General Fund is the primary operating fund of the City, and it is used to report the financial results of the daily operations of the City. In fiscal year 2023-24, the City's General Fund revenues increased by \$12.1 million or 5.8 percent to \$218.7 million and expenditures increased by \$18.6 million or 10.3 percent to \$198.6 million. The total fund balance for the fiscal year increased by \$13.1 million or 15.2 percent to \$99.4 million. The General Fund reported an unassigned fund balance of \$65.3 million, an increase of \$10.1 million or 18.3 percent from the prior year's balance of \$55.2 million.

Cash Reserve Policy

The City's General Fund cash reserve policy requires the City to maintain a minimum year-end contingency reserve balance of 21 percent of next year's budgeted General Fund expenditures, including transfers out of \$52.3 million. As of June 30, 2024, the City's cash reserve, which is a component of the unassigned fund balance, is \$65.3 million or 26.2 percent.

POLICY SYNERGIES:

City Council Goals and Priorities Goal Area No. 5 – Strengthening the City's internal infrastructure and process, specifically Goal No. 5.2 Improve Fiscal Responsibility.

DOCUMENTS ATTACHED:

[Attachment 1 – City of Richmond Annual Comprehensive Financial Report \(ACFR\) for the year ended June 30, 2024](#)

Attachment 2 – Presentation